

**DEPARTMENT OF FOOD AND AGRICULTURE**

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A.G. KAWAMURA, Secretary



April 29, 2005

Mr. Michael Marsh  
Chief Executive Officer  
Western United Dairymen  
1315 K Street  
Modesto, CA 95354-0917

Dear Mr. Marsh:

This is in response to your letter dated April 26, 2005, regarding the value of quota, an issue you raised at the Class 1 pre-hearing workshop held on April 18, 2005. Your inquiry and this response will also be posted to our website.

CDFA records show 2,151,748 daily quota SNF pounds held by California producers and accounted in the pool. An additional item is the amount of daily quota that is being held by Producer-Handlers (P-H), Type 70. These P-H's, hold 59,814 pounds of daily quota SNF. This amount is not included in the 2,151,748 pounds of daily quota SNF held by producers and accounted in the pool.

The quota held by P-H, Type 70s is exempt from the Pool at this time. If this exempt quota held by current P-H, Type 70s would be released by its holders CDFA would begin to account for the quota in future monthly pools. Quota trades between willing producers. The price per pound noted by the Department's publications is only for trades made that do not include cow transfers. With less frequency, additional trades occur that include cow transfers. Segmenting quota value in this type of transfer may not be possible. CDFA records show an average trade value for Pool quota SNF of \$457 per pound for the year 2004. For the month of April 2005 the value is \$475 per pound. Again, both averages represent only trades made that do not include cow transfers.

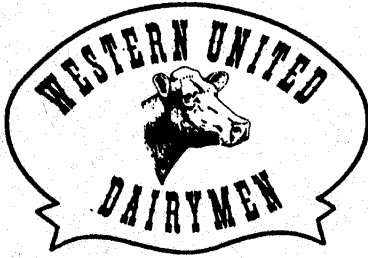
Historical figures show that the value of quota fluctuates, sometimes significantly.

Sincerely,

A handwritten signature in cursive script, reading "Kelly Krug".

Kelly Krug, Director  
Division of Marketing Services

KK:sl



1315 K STREET  
MODESTO, CALIFORNIA 95354-0917  
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April 26, 2005

Kelly Krug, Director  
Marketing Services  
California Department of Food and Agriculture  
1220 N Street  
Sacramento, CA 95814

*Re: Quota Value to California Dairy Producers*

Dear Mr. Krug:

As discussed at the Class 1 pre-hearing workshop, we respectfully request CDFA analysis as to the estimated loss to California dairy producers holding quota if California were to adopt a Federal Order structure without the continuance, or compensation for, the current quota system.

According to our calculations, California quota holders could potentially lose an estimated \$1.02 billion in current quota value if the quota system were abandoned given the implementation of a Federal Order. This assumes an average selling price (without cows) of \$475 per pound of daily solids-not-fat and approximately 2.15 million pounds of daily quota solids-not-fat in the California pool (using April 2005 average quota sales price and February 2005 pool figures).

Further analysis or validation of the above figures from your staff would be greatly appreciated. We thank you in advance for your time on this request.

Very truly yours,

Michael L. H. Marsh, CPA  
Chief Executive Officer

cc: David Ikari, Chief, Dairy Marketing Branch